Edgars Borrowdale
Panoramic View

Clothing in Zimbabwe

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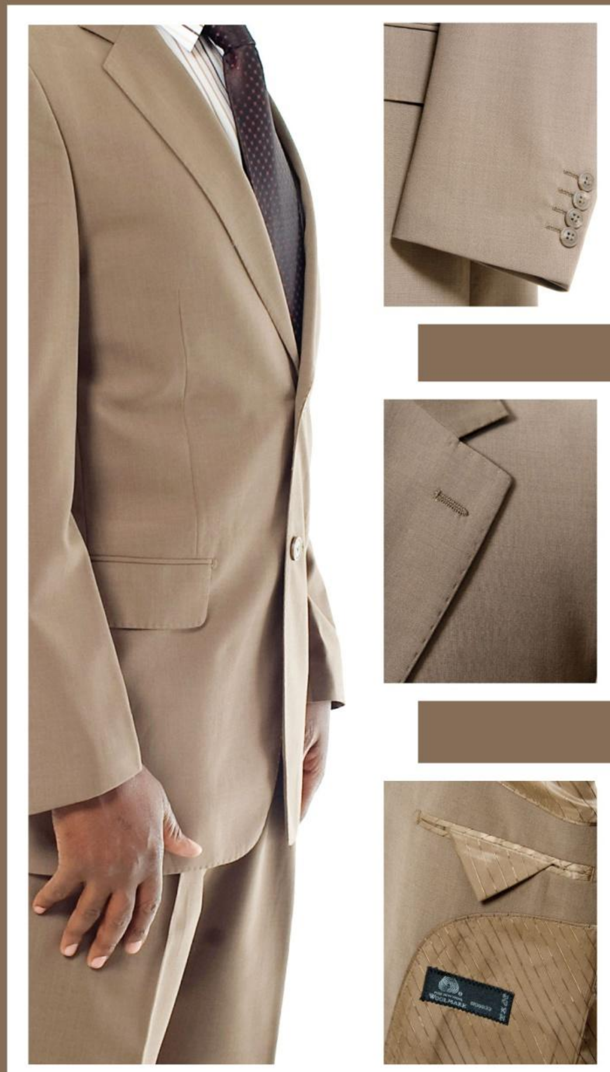
Overview

- Clothing & Textile Manufacturers
  - The Background
  - The Challenges
  - The Prospects
- Clothing Retail
  - The Retail Environment
  - The Prospects
- Edgars
- Questions?

MYSTANDARD

CHARTER CLUB



Clothing &Textile Manufacturers

own your look Edgars

The Background

1920's
- British Cotton Growers fund cotton growers

1948
- Export to SA; developed 3 ginners +cotton spinners

1980-9
- Rapid growth 50% in Textile Manf.+61% of Clothing Manf.

The Background

1990's
- Decline of clothing & textile manufacturers (106 shut)

2000-8
- Hyperinflation. Jobs down 27K since 1990's peak @35K

To date
- Manufacturers struggle with quality & competitiveness

The Challenges

Struggle to be competitive mainly because of:

- High cost of production: wages, utilities
- Low productivity
- Low quality output: old/obsolete equipment + shortage of skilled machinists (diaspora)
- Lack of fashionability
- Erratic power cuts

The Challenges

Other challenges:

- Seasonal nature of business: fabric & other inputs paid for in advance. Huge WC outlay
- Few local fabric suppliers
- All equipment imported
- Pressure for wages to increase (in SA frozen + proviso to pay lower)

The Prospects

- SADC & COMESA
- Regional shift from imports: can be encouraged by good local production. Advantages:
  - Smaller order quantities
  - Quick replenishment (China 12-18weeks)
  - No duty
- Opportunity to compete on niche products

The Prospects

Require:

- A change in mindset: business & labour
- Investment in technology & machinery
- Investment in skills

In order to address key issues of:

- Quality & productivity

Clothing Retail

Joina Centre

The Retail Environment

In Zimbabwe it has evolved:

- From few large chains dominating TO many players (boutiques + informal)
- From less competition TO highly competitive
- Local competition TO global competition (travel & internet exposure; imports)

At dollarisation price was the main issue.

Price important, but now also brand & quality

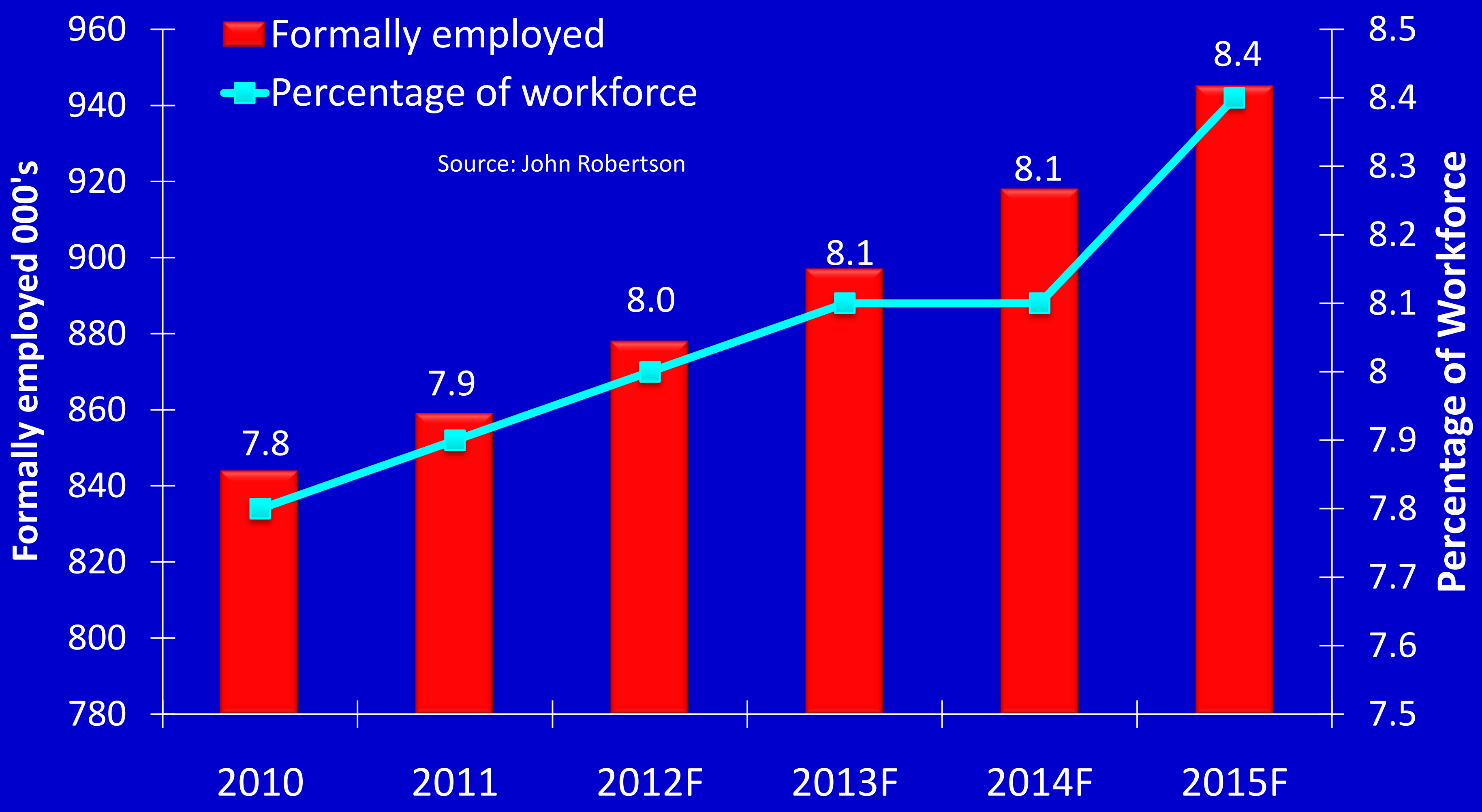
The Retail Environment

- On the low-end: competing with informal traders: low cost structure, avoid duty & taxes
- 40% duty + $3/kg (shoes $1 per pair) surcharge on imports + delays at border
- High utility costs (Electricity, Water, Rates)
- Pressure from landlords to increase rentals (want regional rentals)
- Unemployment

Retail Environment

- Companies facing closure
- Stiff competition from bank loans & other credit retailers
- Employers struggling to pay salaries: City Council, NRZ
- No credit bureau (–ve reporting)
- Low liquidity, high borrowing rates (20% quoted)

Formal Employment No's



Edgars footwear Borrowdale Village

Prospects

own your look Edgars

Prospects in Clothing Retail

- Whenever economic recovery clothing benefits soon after basic commodities
- Fashion constantly evolving – there will always be a market
- As we came out of hyperinflation much of cheap merchandise + no service + no QA
- We believe opportunity exists to provide quality merchandise+ pleasant experience

Prospects in Clothing Retail

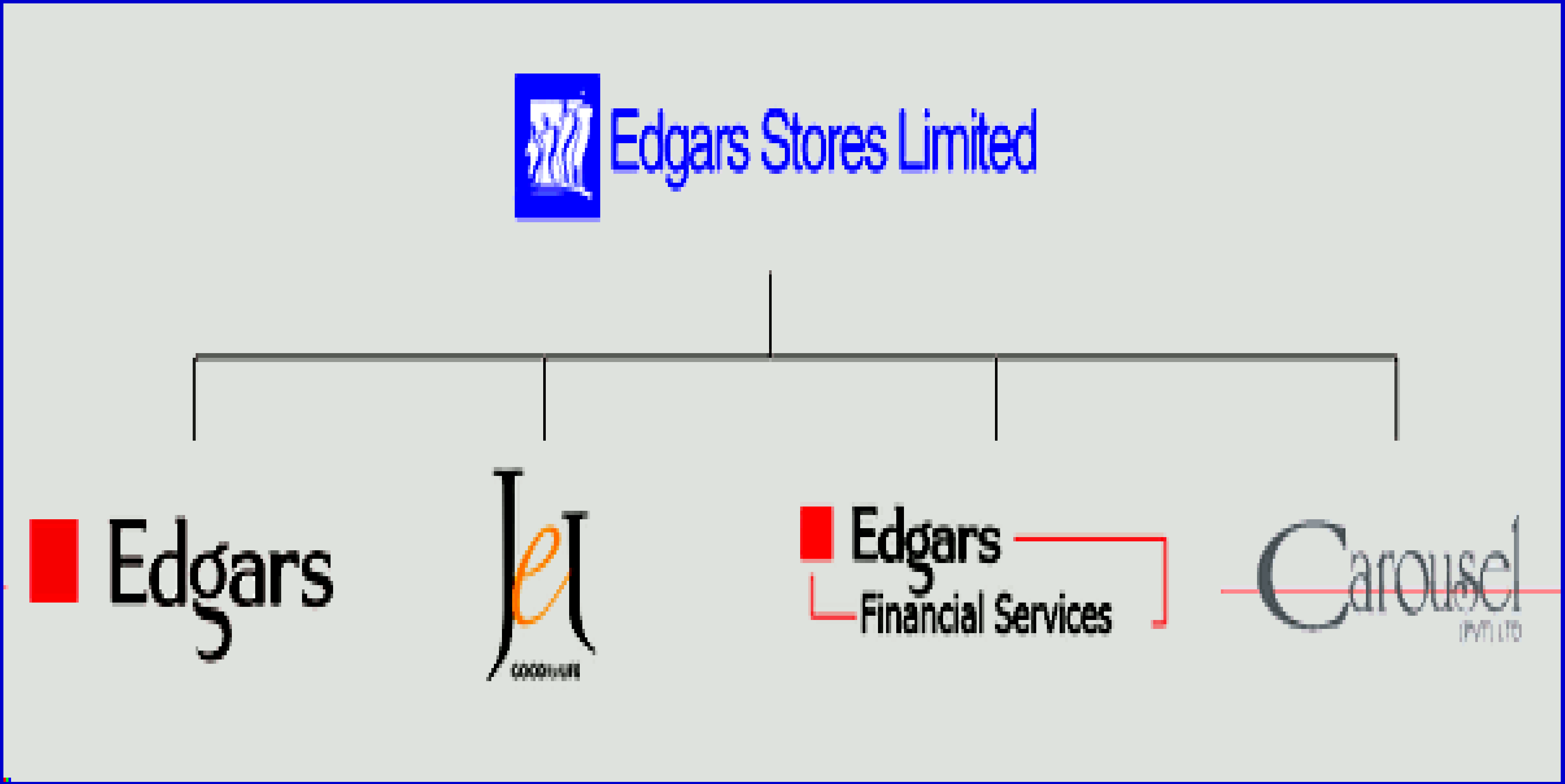
- Credit retail + good collections = volume growth for business
- As retailers grow local manufacturers who produce quality merchandise at a reasonable price will also benefit

Joina Centre

Edgars

- Founded Sydney Press
- 1st Byo Store 1946
- Listed 1974
- Factories: Carousel 1974, Jeans 1993
- Express stores launched 1984
- November 2011 Express to Jet

Edgars Group Structure



Vision

We aim to be Zimbabwe's undisputed market leader in the clothing and footwear retail business offering quality, value and superior customer service in pleasant shopping environments.

Re-building...

- At height of "lost decade" stopped offering credit (2008)
- Stores had become "soccer fields"
- Reduced from 87stores in 1992 to 34 (2009)
- Our working capital + local suppliers decimated
- Economy "dollarised" in 2009

Our Business Strategy

Market share + Product ivity = Profitable growth

Our Business Strategy

- Our customers had been shopping abroad and accustomed to SA standards and quality
- Market share:
  - A/c growth +
  - New stores +
  - competitive pricing +
  - improved standards +
  - quality assortments (incl. genuine quality brands)

Our Business Strategy

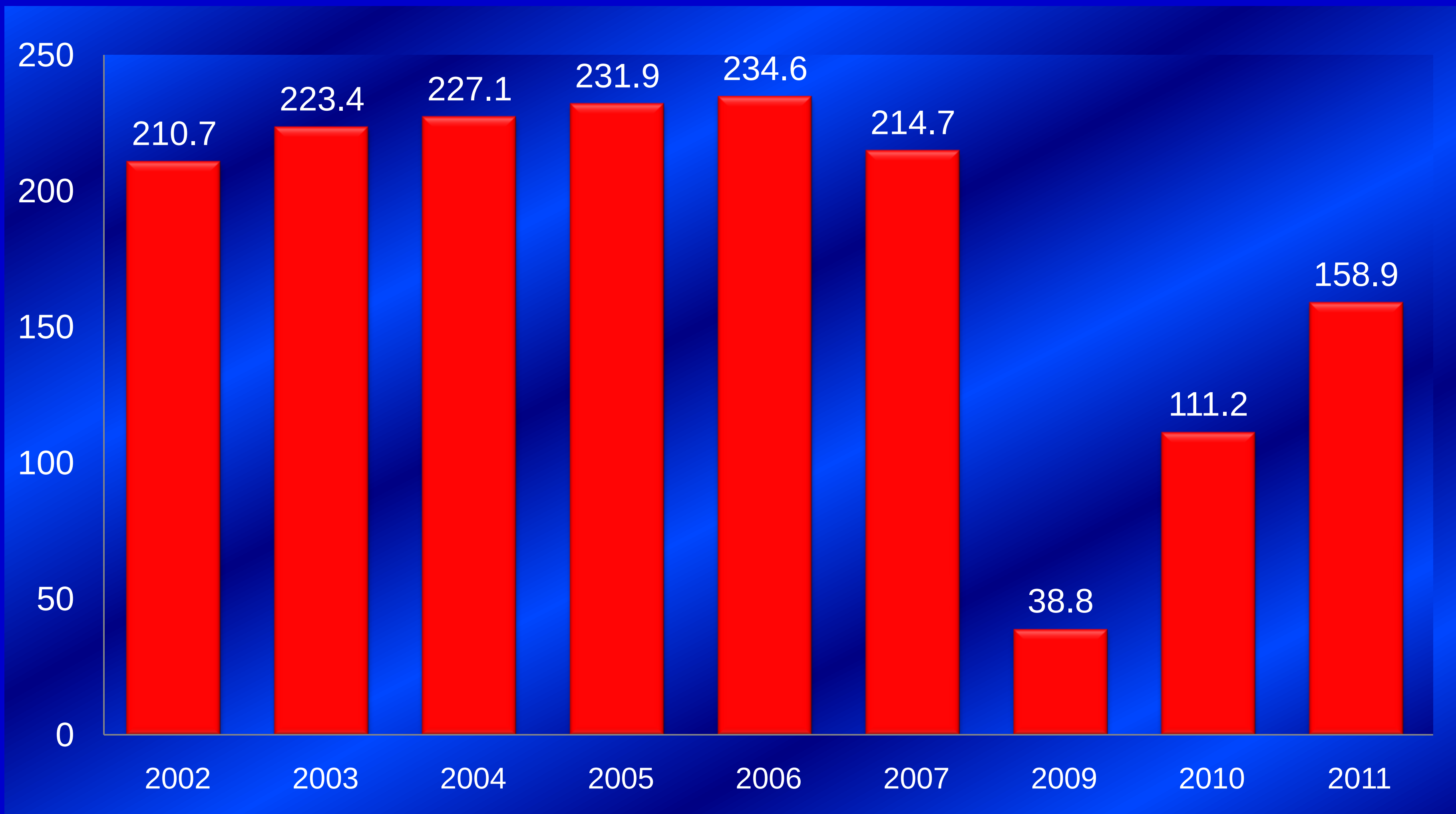
- Productivity:
  - ❖Goal alignment
  - ❖performance measurement
  - ❖Cost management
- Cheaper funding with longer tenures

We went from Here……

….To here-2011

Retail sales of $51m	44%
Trading profit of $7,4m	77%
Earnings per share of 1.37cents	120%
Trade and other receivables $19,5m	23%
No. of debtors 158,901	43%
$12,8m improvement - CF from operations	115%

Scope for a/c growth…



2012 Targets @ a Glance

- Turnover of $57m (12%)
- Finance costs <4% of turnover
- PAT $4.0m (21%)

GOOD*for*LIFE

MORE
STYLE
LESS
PRICE

Questions?

www.edgars.co.zw